

Message Text

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TAGS: ECON, OECD, SW

SUBJECT: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC):
REVIEW OF SWEDISH ECONOMY

REF: A) PARIS 8589 B) STOCKHOLM 986

1. WASHINGTON AGENCIES GENERALLY IN AGREEMENT WITH OECD
SECRETARIAT CONCLUSIONS AS OUTLINED IN PARA 7, REF A.
CURRENT SWEDISH POLICY MIX SEEMS ALREADY DESIGNED TO BE
SOMEWHAT ON EXPANSIONARY SIDE AND WE WOULD BE RELUCTANT,
GIVEN RATHER UNCERTAIN CONDITION OF THE ECONOMY, TO EN-
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COURAGE SWEDES TO MOVE IN THE DIRECTION OF MORE STIMULUS.
FURTHER DOMESTIC EXPANSION COULD POSSIBLY ENDANGER THE
POSITIVE EFFECTS THAT DEPRECIATION SHOULD BE HAVING ON
EXPORT SECTOR AS RESULT OF LIKELY EXPANSION LATER THIS
YEAR FROM A NUMBER OF SWEDEN'S LEADING TRADING PARTNERS.

2. WHILE SWEDEN IS NOT THE FIRST COUNTRY TO HAVE EDRC

REVIEW SINCE FEBRUARY EPC AND DISCUSSION OF "CONCERTED ACTION", USG IS RELUCTANT TO POINT TO SWEDEN AS AN EXAMPLE OF A SMALLER OECD COUNTRY WHICH SHOULD BE CRANKING UP STIMULATIVE POLICIES, SINCE THERE IS FEELING AMONG SOME AGENCIES THAT CONTINUED DOMESTIC RESTRAINT IS NECESSARY.

3. WE SUPPORT DIRECTION OF QUESTIONING MISSION PROPOSES TO TAKE (PARA 8, REF A) WITH PARTICULAR INTEREST IN PART A. IN ADDITION, SUGGEST MISSION PURSUE DISCUSSION OF HOW SWEDES SEE EFFECTS OF SHORT-TERM POLICIES (E.G., SUBSIDIZATION) ON MEDIUM-TERM OUTLOOK. ALSO, WE WOULD LIKE TO HAVE BETTER IDEA OF PLANS FOR THE ABSORPTION OF THE GOVERNMENT DEFICIT THIS YEAR.

4. MISSION MAY WISH TO SEE IF SECRETARIAT OR SWEDISH REPS HAVE RECENT DATA ON UNEMPLOYMENT FIGURES, SINCE WE UNDERSTAND THAT UNEMPLOYMENT TURNED UP SHARPLY SINCE LATE LAST YEAR. VANCE

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